

State-Funded Medical Assistance for Low-Income People



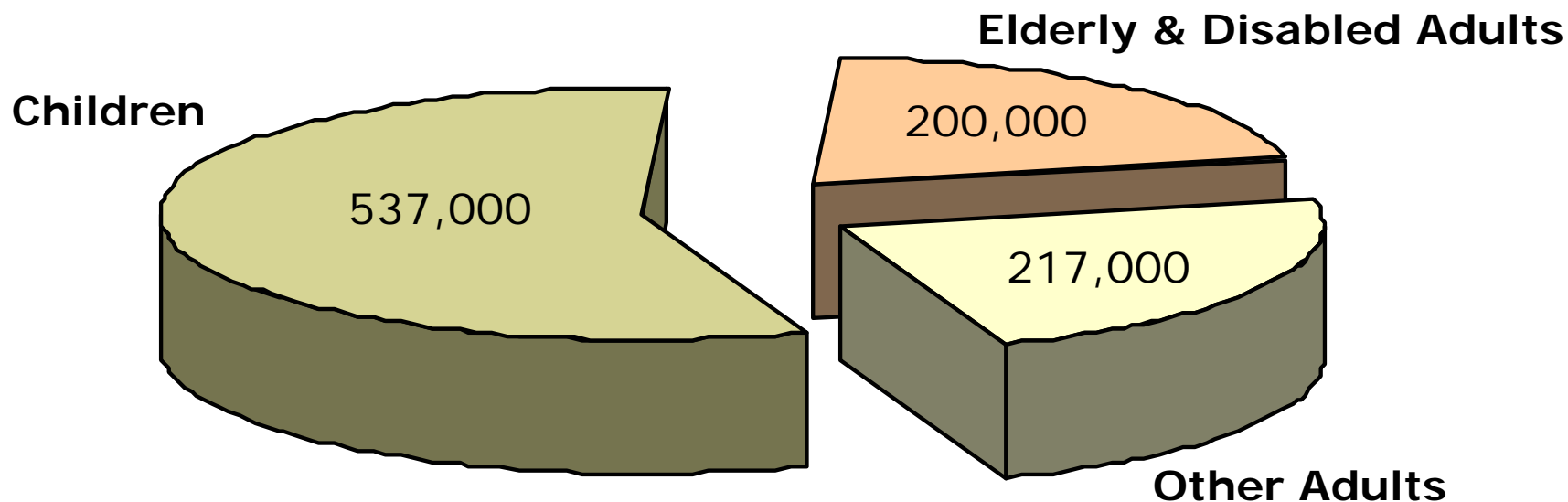
Senate Ways & Means Committee
February 9, 2005

Presentation provides a short overview of:

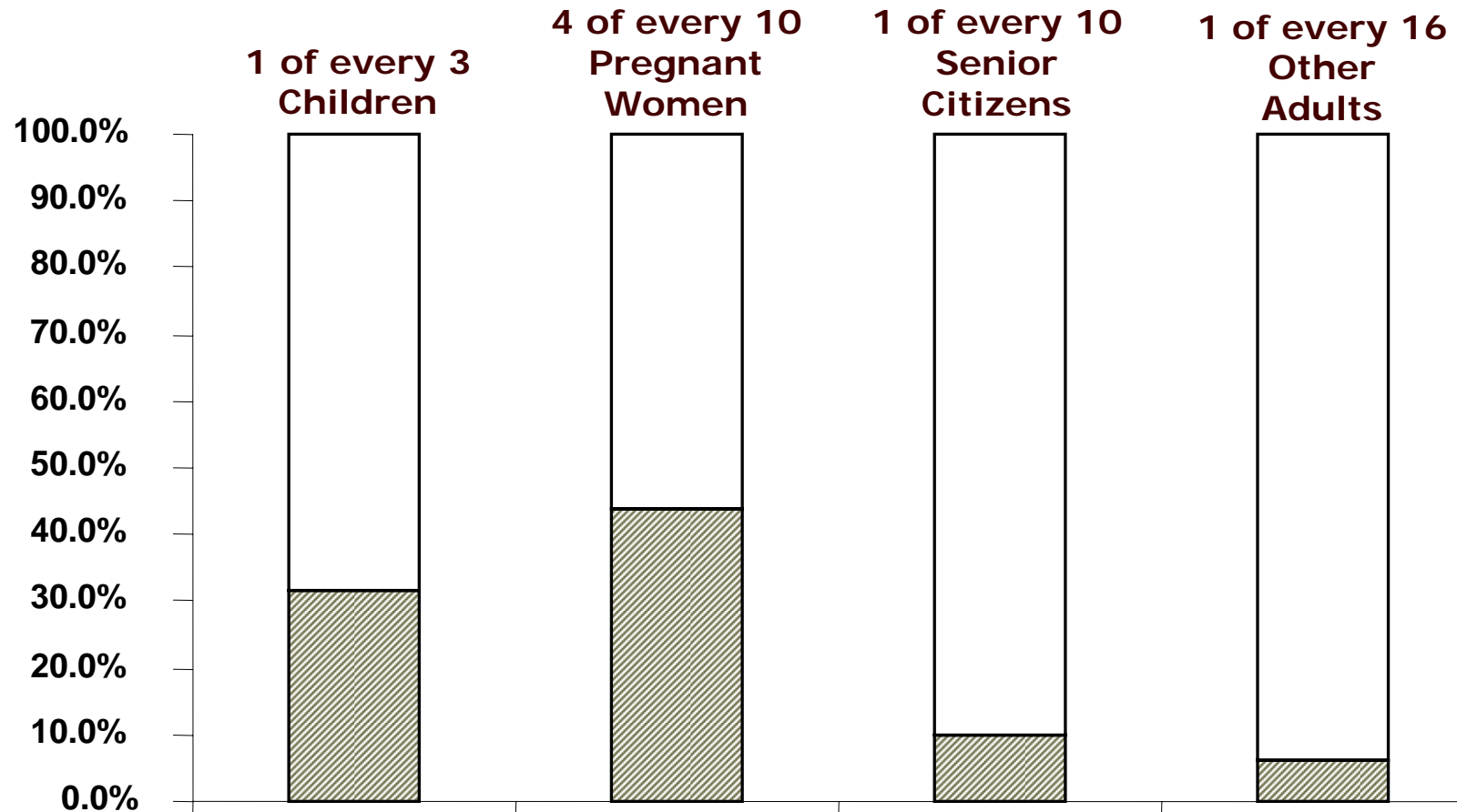
- ❑ Who is covered by DSHS Medical Assistance and the Basic Health Plan.
- ❑ How much is spent on that coverage and how spending has grown.
- ❑ Why caseloads and costs have grown.
- ❑ Actions that have been taken to reduce spending growth.
- ❑ Governor Locke's budget proposals.

The state will pay for medical coverage for an average of almost 1 million low-income Washingtonians each month this biennium.

2003-05 Average Monthly Recipients of BHP and Medical Assistance Coverage

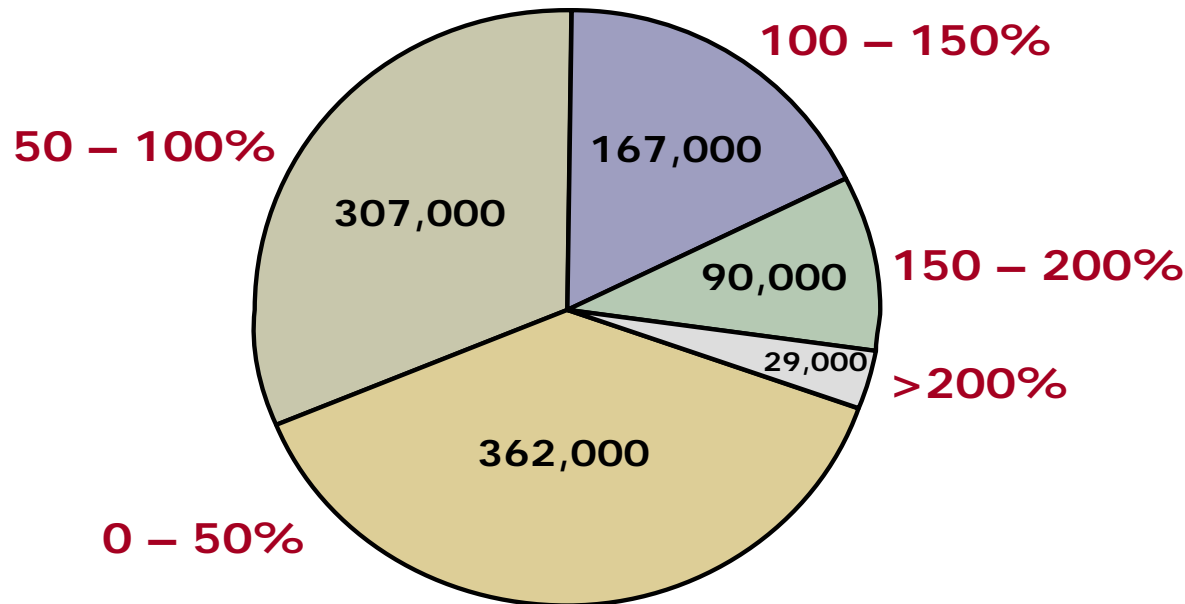


This is 15% of the population, and includes:



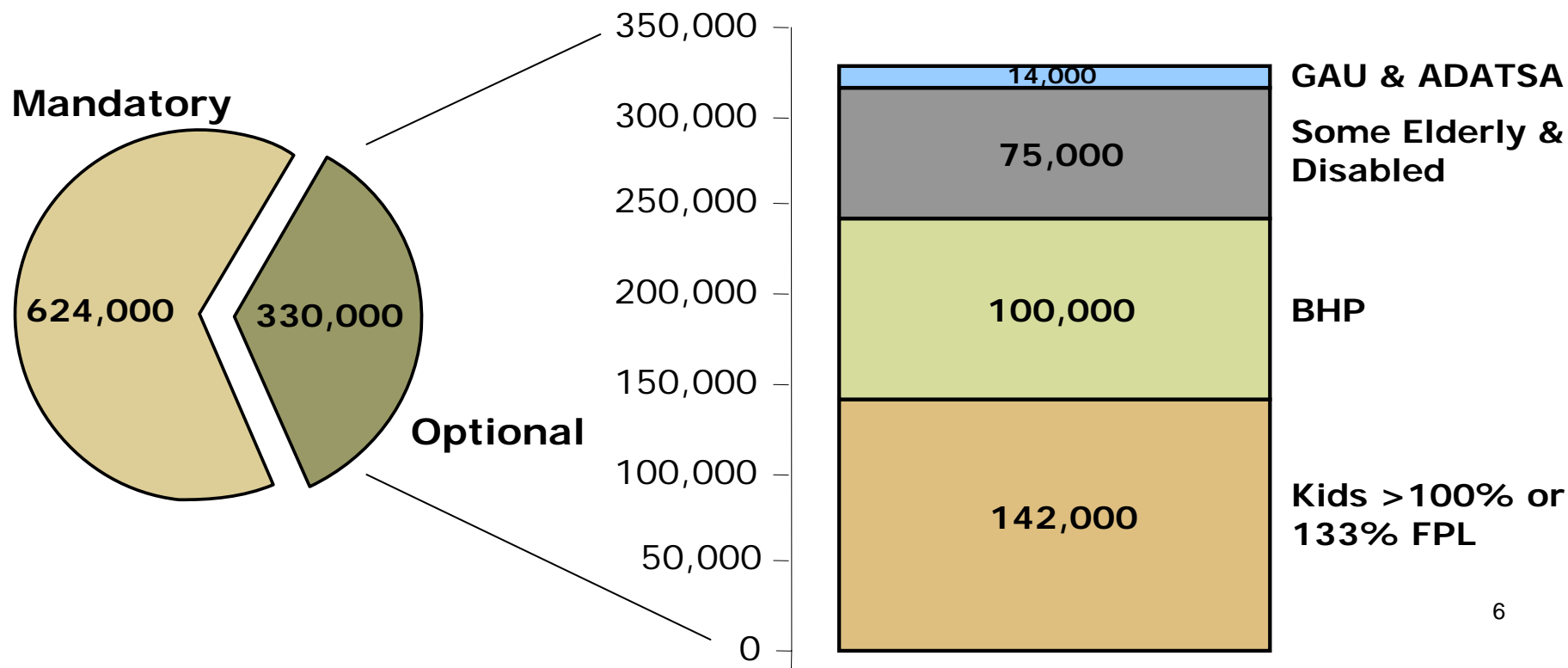
People covered by Medical Assistance and the BHP generally have very low incomes.

Medical Assistance and BHP Recipient Incomes as a Percentage of Poverty



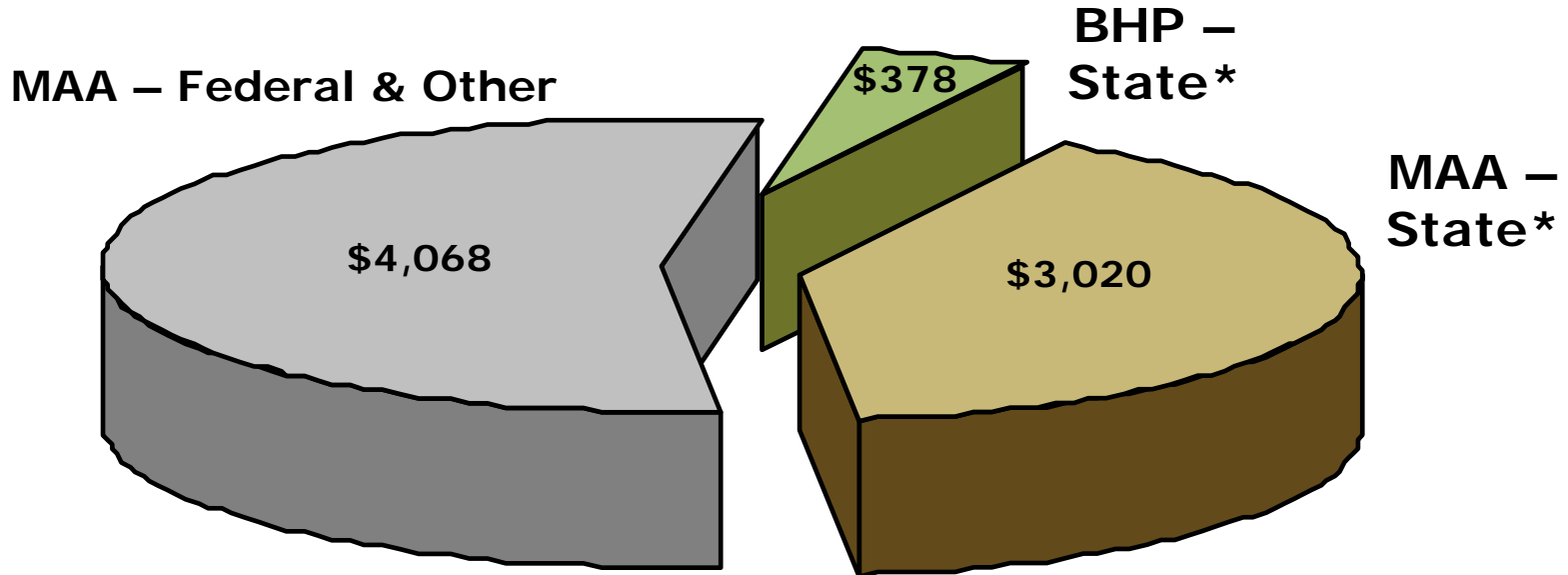
2004 Poverty Level, Family of Three				
	50%	100%	150%	200%
Monthly	\$653	\$1,306	\$1,959	\$2,939
Annual	\$7,836	\$15,672	\$23,508	\$35,262

Approximately two-thirds of recipients, accounting for about three-quarters of total expenditures, must be covered under federal Medicaid rules.



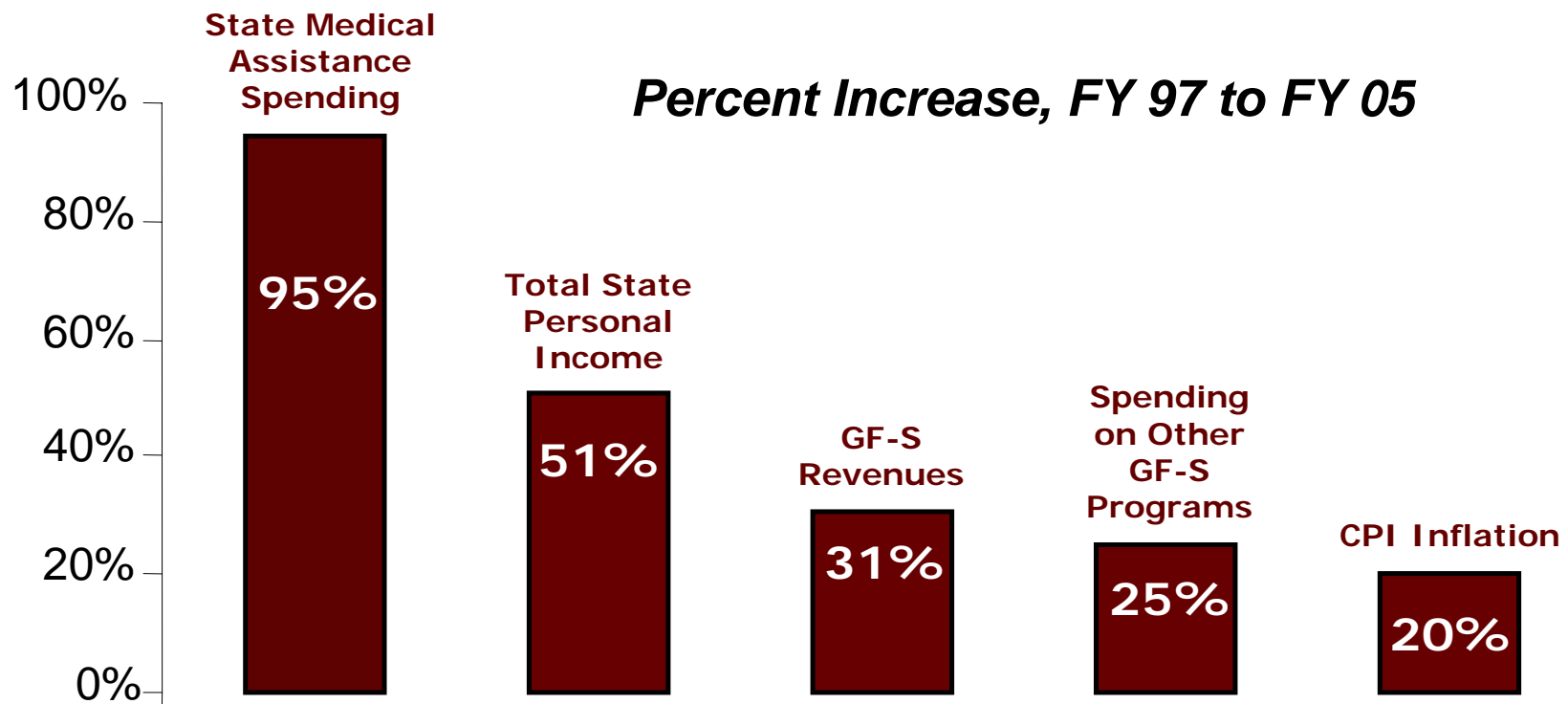
State government will spend about \$7.5 billion on Medical Assistance and the BHP this biennium, of which \$3.4 billion will be from state revenues.

**Projected 2003-05 Spending
*in Millions***



*GF-State and Health Services Account, per Governor's proposed 2005 supplemental.
"Pro-share" transactions are excluded.

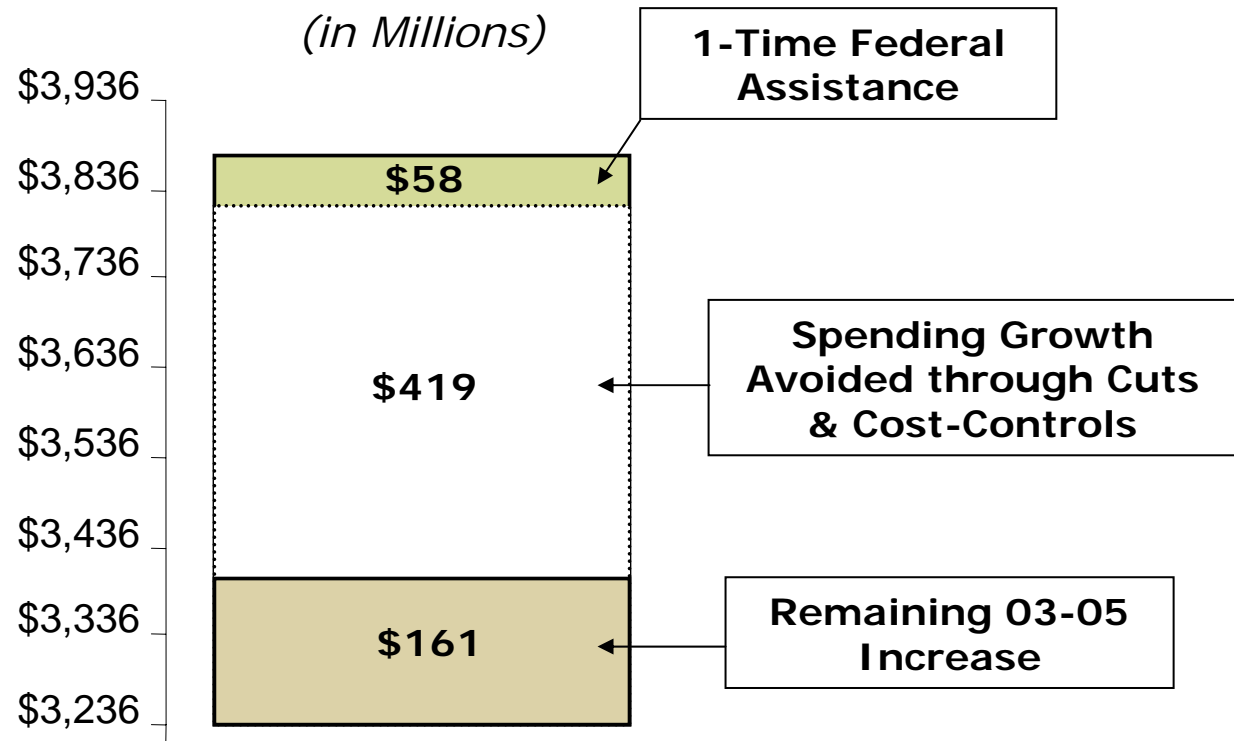
State* spending on Medical Assistance and the BHP has grown much faster than state wealth, state revenues, spending on other state programs, and inflation.



*GF-State and Health Services Account, per Governor's proposed 2005 supplemental.
"Pro-share" transactions are excluded.

This biennium, cuts, cost-controls, and one-time federal financial assistance limited the growth in state spending on low-income medical assistance.

03-05 Biennial Changes in State Funding* for Medical Assistance & the BHP



*GF-State and Health Services Account, per Governor's proposed 2005 supplemental.
"Pro-share" transactions are excluded.

The 2003 and 2004 budgets directed that a number of steps be taken to reduce the growth in spending on low-income medical assistance.

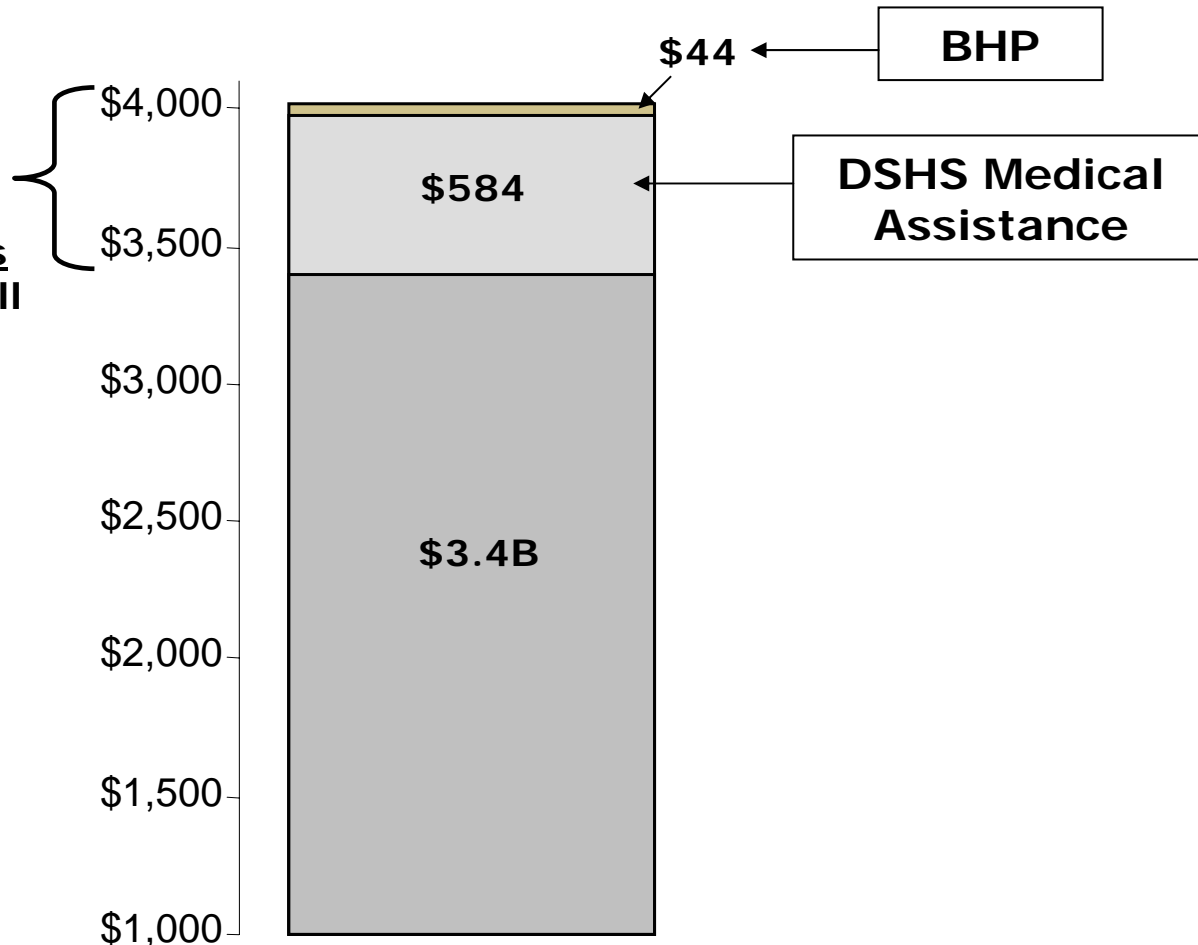
Estimated 03-05 Savings Based on 2005 Supplemental Forecasts

State Funds
(in Millions)

Reduce BHP enrollment to 100,000	(\$130)
Increase BHP enrollee cost-share	(\$ 97)
Replace Medically Indigent Program with lidded grants	(\$ 66)
Increase eligibility verification, require 6-month reviews	(\$ 62)
Limit managed care rate increases to 1.5% and 5%	(\$ 41)
No rate increases for other medical providers	N/A
Reduce adult dental coverage by 25%	(\$ 13)
Establish a statewide preferred drug list	(\$ 10)
Charge \$10 premiums for children with family incomes between 150-200% of poverty	<i>Not implemented</i>

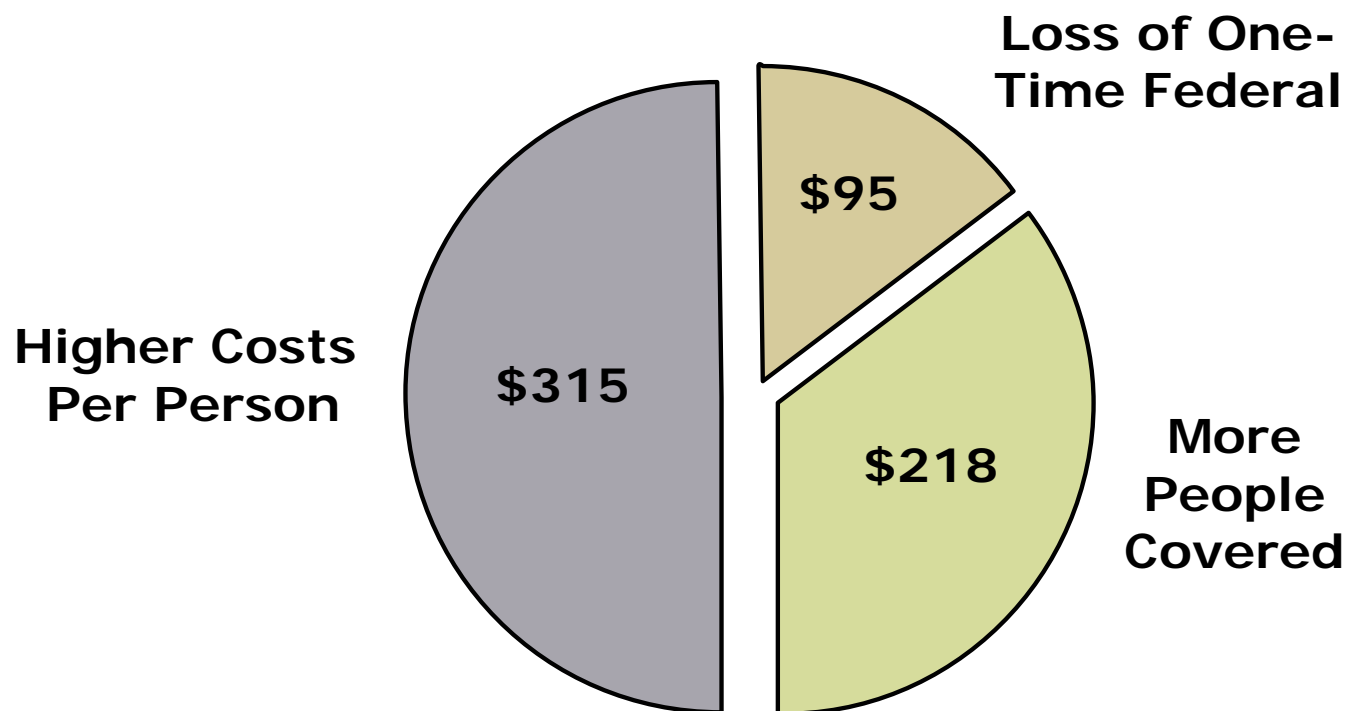
State spending on DSHS Medical Assistance and the BHP is projected to grow by \$628 million – over 18% -- next biennium.

Increase equals total 03-05 GF-S budget for the 4 regional universities, plus financial aid at all universities.

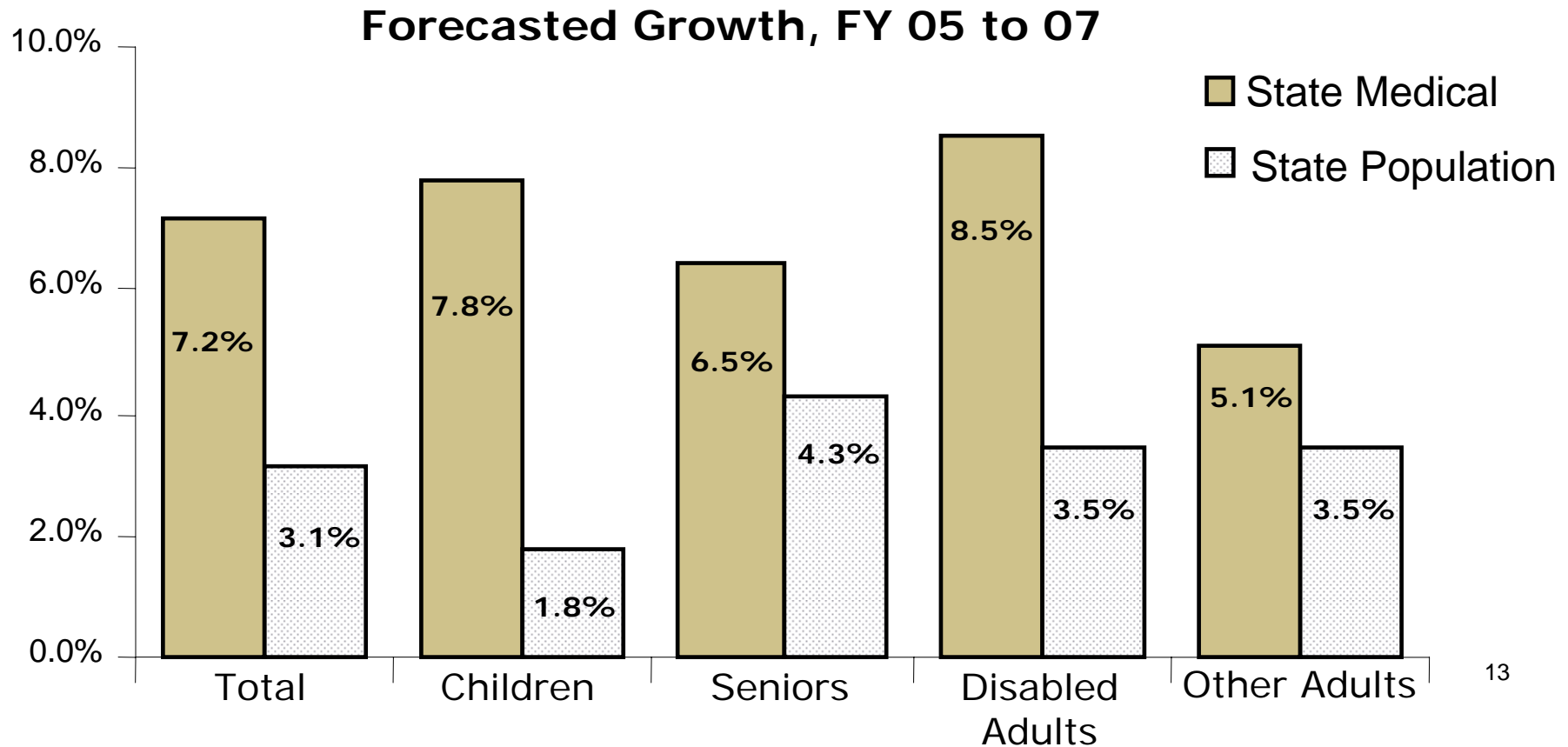


The \$638 million “maintenance level” growth is due to three main factors.

05-07 State Spending Growth
(in Millions)



The number of people covered by Medical Assistance and the BHP is projected to grow faster than comparable segments of the state population.

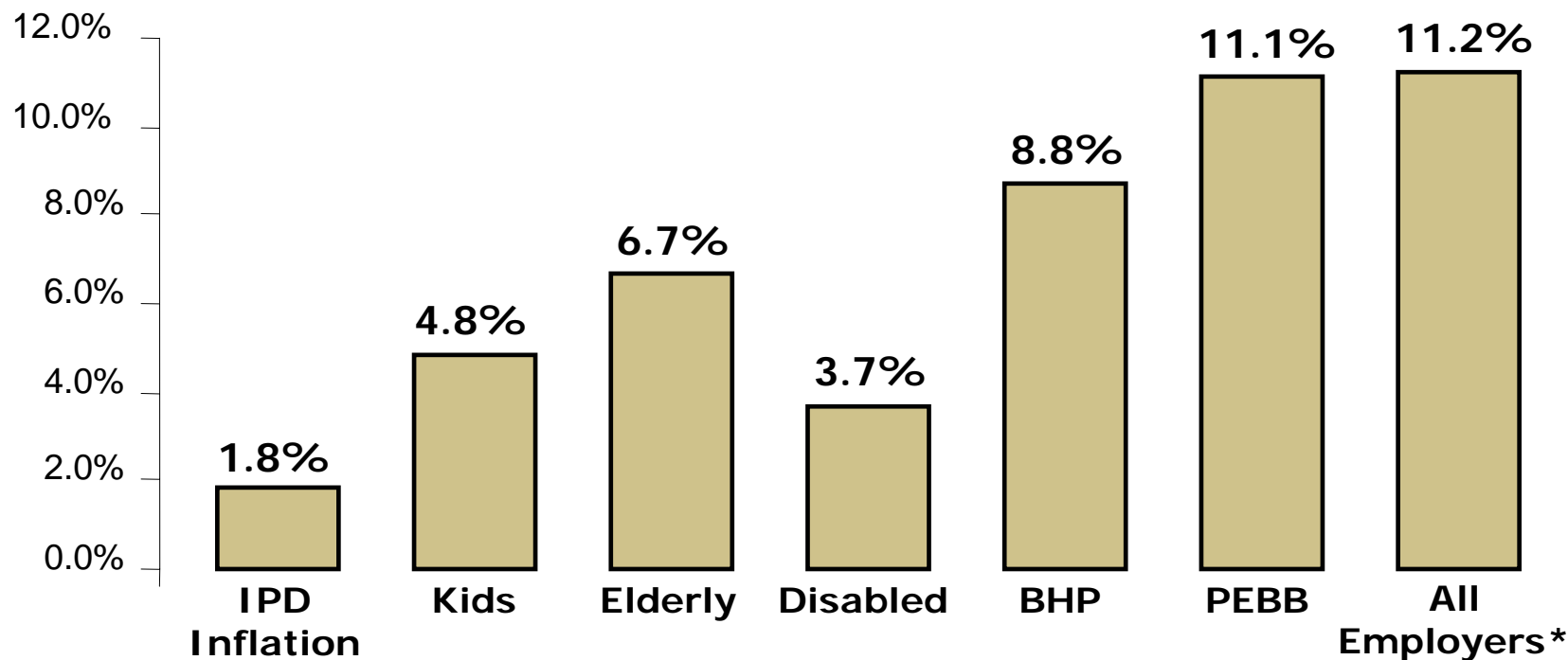


Why is participation in state medical assistance programs growing?

- ❑ Reduced dependent coverage and higher cost-sharing by employers, in response to rising health care costs.
- ❑ Rising medical costs, especially for drugs, provide additional incentive for otherwise eligible people to enroll.
- ❑ Increased survival and longevity as a result of ongoing advances in technology.
- ❑ Baby-boomers in low-wage occupations becoming disabled as they age.

Medical Assistance and BHP costs per covered person are rising faster than general inflation, but more slowly than premiums in the commercial market.

Average Annual Cost Growth per Covered Person
2004-2007 (October 2004 Forecasts)



*National average, all employer-sponsored insurance, 2003 to 2004.

Why are medical costs per person served rising?

- ❖ Technology
- ❖ Health professional labor shortages
- ❖ Large, and increasing, health sector administrative costs
- ❖ Market power of insurers, hospitals, and drug companies
- ❖ Limited ability to discourage utilization through pricing or savings incentives
- ❖ Large, growing, and expensive-to-serve elderly and disabled populations.

Governor Locke proposed a number of cuts and efficiencies in his “current” and “new revenue” budgets.

2005-07 Biennium State Funds, in Millions

	Current Revenue	New Revenue
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Contract with an interstate purchaser to obtain additional rebates from drug manufacturers*	(\$53)	(\$53)
Eliminate BHP eligibility for 17,000 adults with incomes over 140% of poverty	(\$49)	\$ 0
Eliminate routine & preventative adult dental care	(\$17)	\$ 0
Reduce grants to community clinics by 25-50%	(\$12)	(\$ 6)
Manage clients with excessive service use**	(\$ 9)	(\$ 9)
Eliminate “Ticket-to-Work” Medicaid option	(\$ 8)	(\$ 8)
Reduce medical education payments to UW and Harborview medical centers	(\$4)	(\$ 4)

*OFM has indicated the rebate savings is at least \$15 million too high, and will be reduced further. ** The agency has reduced the service-use savings estimate to \$5 million.

Governor Locke also proposed some increases beyond “current services.”

2005-07 Biennium State Funds, in Millions

	Current Revenue	New Revenue
Continue premium-free coverage for children with incomes between 150-200% of poverty.	\$0	\$ 7
Restore 12-month continuous eligibility for children*	\$0	\$ 9
Increase pediatric and maternity fees by 5% - 10%	\$0	\$15
Increase other physician fees average of 21%	\$0	\$52

*Governor Gregoire has directed the change be implemented one year earlier.
State cost now estimated at \$30 million.